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Legislative Council

LC Paper No. CB(1)1998/13-14
(These minutes have been seen
by the Administration)

Ref : CB1/PL/FA/1

Panel on Financial Affairs

Minutes of meeting
held on Monday, 7 July 2014 at 9:15 am
in Conference Room 3 of the Legislative Council Complex

Members present :

Hon Starry LEE Wai-king, JP (Chairman)
Hon Albert HO Chun-yan
Hon CHAN Kam-lam, SBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon WONG Kwok-hing, BBS, MH
Hon WONG Ting-kwong, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHAN Kin-por, BBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Kenneth LEUNG
Hon Dennis KWOK
Hon SIN Chung-kai, SBS, JP

Members attending :

Hon LEE Cheuk-yan
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Yuen-han, SBS, JP
Hon KWOK Wai-keung
Hon TANG Ka-piu, JP

Members absent :

Hon Christopher CHEUNG Wah-fung, SBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP

Public officers attending :

Agenda items III and IV

Mr Patrick HO, JP
Deputy Secretary for Financial Services and the Treasury (Financial Services)3

Agenda item III

Ms Polly KWOK
Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)4

Agenda item IV

Ms Teresa WONG, JP
Official Receiver

Mr Alan FONG
Assistant Official Receiver (Legal Services)2

Agenda items V and VI

Miss Salina YAN, JP
Deputy Secretary for Financial Services and the Treasury (Financial Services)1

Agenda item V

Mr Jackie LIU
Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)5

Ms Karen KEMP, JP
Executive Director (Banking Policy)
Hong Kong Monetary Authority

Mr Richard CHU
Head (Banking Policy)
Hong Kong Monetary Authority

Mr Noel SACASA
Adviser (Research and Development Unit)
(Banking Policy)
Hong Kong Monetary Authority

Mr Thomas WONG
Senior Manager (Banking Policy)
Hong Kong Monetary Authority

Agenda item VI

Ms Ada CHAN
Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 2

Ms TSE Yuk-yip, JP
Assistant Commissioner 3
Inland Revenue Department

Agenda item VII

Mr Eddie CHEUNG
Deputy Secretary for Financial Services and the Treasury (Financial Services) 2

Miss Emmy WONG
Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 3

Attendance by invitation : Agenda item VI

Ms Christina CHOI
Senior Director (Investment Products)
Securities and Futures Commission

Agenda item VII

Mr Darren McSHANE
Chief Regulation and Policy Officer and Executive Director
Mandatory Provident Fund Schemes Authority

Ms Stella YIU
Head (Investment Regulation)
Mandatory Provident Fund Schemes Authority

Clerk in attendance :	Ms Connie SZETO Chief Council Secretary (1)4
Staff in attendance :	Mr YICK Wing-kin Assistant Legal Adviser 8
	Ms Angel SHEK Senior Council Secretary (1)4
	Ms Sharon CHAN Legislative Assistant (1)4

Action

I Confirmation of minutes of meetings and matters arising

(LC Paper No. CB(1)1658/13-14 — Minutes of the meeting on 7 February 2014)

The minutes of the meeting held on 7 February 2014 were confirmed.

II Information papers issued since the last meeting

2. Members noted that no information papers had been issued since the last regular meeting held on 9 June 2014.

III Proposals to improve the regulatory regime for listed entity auditors

(LC Paper No. CB(1)1668/13-14(01) — Administration's paper on "Proposals to Improve the Regulatory Regime for Listed Entity Auditors ")

Briefing by the Administration

3. With the aid of a powerpoint presentation, the Deputy Secretary for Financial Services and the Treasury (Financial Services)3 ("DS(FS)3") briefed members on the background, objectives and details of the proposals to improve the regulatory regime for listed entity auditors. DS(FS)3 said that the public consultation on the proposals would last for three months ending on 19 September 2014. Subject to the outcome of the public consultation, the Administration planned to introduce the relevant amendment bill into the Legislative Council ("LegCo") in 2015.

> (*Post-meeting note*: The notes of the powerpoint presentation (LC Paper No. CB(1)1762/13-14(01)) were issued to members vide Lotus Notes e-mail on 7 July 2014.)

Discussion

Independent oversight regime for the regulation of listed entity auditors

4. Mr Ronny TONG expressed concern that the current proposal to expand the regulatory remit of the Financial Reporting Council ("FRC") to become an independent listed entity auditor oversight body and entrust the Hong Kong Institute of Certified Public Accountants ("HKICPA") with the role of the Registrar of Listed Entity Auditors ("the Registrar") might result in a cumbersome regulatory structure. He enquired whether problems were identified in the present arrangement, such as difficulties encountered by FRC in the conduct of investigations into auditing/reporting irregularities.

5. DS(FS)3 explained that while FRC was already statutorily empowered to conduct independent investigations into auditing/reporting irregularities, the statutory powers to determine whether to impose disciplinary sanctions and the level of sanctions rested with HKICPA which was the relevant professional body. To meet the prevailing international standard that auditor regulatory regime should be independent of the audit profession and to address concern about the effectiveness of the existing disciplinary mechanism, it was proposed that FRC be vested with direct disciplinary power in respect of listed entity auditors. The proposal to expand FRC's regulatory remit for it to perform the role of the proposed independent auditor oversight body rather than setting up a new statutory body would address the concern that the regulatory framework could become cumbersome after the reform. As regards the progress of cases referred by FRC after its investigation to HKICPA for possible disciplinary proceedings, DS(FS)3 said that since its

establishment in 2006, FRC had referred 26 cases to HKICPA and out of these cases, the HKICPA Council had initiated disciplinary proceedings in respect of seven cases. As for the remaining 19 cases, some cases resulted in disciplinary sanctions such as issuance of reprimands by HKICPA on the auditors concerned, while eight cases were still under review by the HKICPA Council.

6. While supporting the broad reform direction to enhance the independence of the listed entity auditor regulatory regime, Mr Kenneth LEUNG expressed concern that the proposal to vest FRC with direct inspection, investigation and disciplinary powers might give rise to over-concentration of powers in FRC. Mr LEUNG opined that there should be a clear separation between the investigation and disciplinary mechanisms to ensure fairness and due process. He asked whether the Administration would explore setting up an independent body/committee for considering disciplinary sanctions on listed entity auditors. The Chairman relayed similar concerns expressed by the small- and medium-sized audit firms.

7. DS(FS)3 said that the proposed arrangement had taken into account similar systems/practices adopted by overseas jurisdictions and the prevailing regulatory arrangements for other sectors of the financial market in Hong Kong. He re-iterated that the most important consideration for the reform exercise in this respect was to ensure that the future arrangement was in line with international standards that the disciplinary system should be independent from the audit profession. On the other hand, the proposal had included various checks and balances to ensure fairness and due process. He pointed out that under the current proposal, FRC's investigation and disciplinary powers would be exercised by two separate teams of staff members. The person under investigation would be given a reasonable opportunity of being heard before FRC imposed the disciplinary sanction, and would be informed in writing of the reasons for the disciplinary decision. There would also be an independent appeal mechanism under the proposed regime.

8. At the request of Mr Kenneth LEUNG, the Administration undertook to provide information on the practices adopted by member jurisdictions of international bodies, including the Organization for Economic Cooperation and Development, with regard to arrangements for the powers of investigation into reporting/auditing irregularities of listed entity auditors and determination of related disciplinary sanctions. In particular, whether such powers are separately vested in two independent bodies or solely vested in one regulatory oversight body as proposed in the consultation paper.

(*Post-meeting note*: The Administration's response was circulated to members vide LC Paper No. CB(1)1913/13-14(02) on 8 August 2014.)

9. Mr CHAN Kin-por enquired whether the expert panel to be established under FRC in future would provide advice to FRC in respect of disciplinary cases and how differences in views between FRC and the expert panel on a case could be resolved. Given the complexity and evolving auditing standards, Mr CHAN considered it necessary to incorporate inputs from persons with professional knowledge in the disciplinary process to ensure fairness of the process. DS(FS)3 responded that it was expected that the expert panel's advice to FRC would relate to individual disciplinary cases, in particular on issues concerning the application of prevailing auditing standards.

10. Mr SIN Chung-kai said that he was a non-executive member of FRC without any remuneration. He enquired whether the current proposals, if implemented, would enable Hong Kong to be represented on the International Forum of Independent Audit Regulators ("IFIAR"), and which proposals were particularly crucial for meeting the relevant requirements.

11. DS(FS)3 noted that FRC had commissioned an independent consultant on independent audit oversight and had published the consultancy report in October 2013. Noting the gaps identified in the report for Hong Kong to meet the requirements for IFIAR membership, the current proposals sought to close that gap by ensuring that, inter alia, the auditor oversight body was independent from the audit profession and had ultimate oversight responsibility for relevant regulatory functions, in particular inspection, investigation and enforcement.

Eligibility and registration of listed entity auditors

12. The Chairman said that she was employed by one of the "Big Four" accountancy firms. While agreeing that the auditor regulatory regime of Hong Kong should be benchmarked against international standards, she considered that the Administration should carefully take the reform forward to avoid adverse impact on the viability of small- and medium-sized audit firms which were auditors of some 35% of the listed companies in Hong Kong. The Chairman relayed the worries of these practitioners that they might be disadvantaged by the reform due to potential increase in compliance cost and possible tightening of the eligibility criteria for registration as listed entity auditors.

13. Mr CHAN Kam-lam welcomed the reform proposals to improve the regulatory regime for listed entity auditors. With a view to ensuring the integrity of the regime and achieving consistency in the exercise of regulatory and disciplinary powers, Mr CHAN asked whether it would be more appropriate for FRC to take up the registration function in respect of listed entity auditors as well.

14. DS(FS)3 said that under the existing regime, an individual had to meet the qualifying requirements of a certified public accountant ("CPA") holding practising certificates in order to be eligible to be appointed as an auditor. HKICPA maintained a public register of CPAs as well as a list of auditors with listed clients, and HKICPA was responsible for collecting a levy from each of those practice units which had audit engagements with listed companies each year for making annual financial contributions to FRC to support its operation in accordance with the existing funding arrangement agreed with the other funding parties. He clarified that the proposed reform would not bring any material change to the existing qualification and experience requirements for registration as listed entity auditors. To enhance transparency and facilitate public inspection, there would be a new statutory requirement for HKICPA to establish and maintain a register of listed entity auditors which were mainly procedural changes to the existing registration arrangements.

15. DS(FS)3 supplemented that following extensive discussions among the Administration, FRC and HKICPA on the reform initiative in the past few years, it was considered that for more effective use of resources and relevant experience in registration matters, it would be appropriate for HKICPA to assume the role of the Registrar of listed entity auditors while subject to independent oversight by FRC under the proposed regime, bearing in mind that HKICPA had established infrastructure and experience in discharging associated registration functions based on a set of statutory and clear criteria, and the scale of changes would be more manageable if FRC's remit was expanded to cover direct powers for the inspection and enforcement functions rather than also covering the registration function at the same time. He assured members that, under the proposed arrangement for registration, if a disciplinary decision made by FRC involved removal of a regulated person from the register of listed entity auditors, HKICPA would need to enforce the disciplinary decision by following stipulated procedures under the proposed regime. As regards Mr CHAN Kam-lam's enquiry on the recognition of overseas auditors for engaging auditing work of entities listed in Hong Kong, DS(FS)3 said that all applications would be handled and determined by FRC under the new regime.

Pecuniary penalty on regulated persons

16. Noting that the factors FRC would consider in imposing a pecuniary penalty on a regulated person would include the likely effect of the penalty putting a firm or individual in financial jeopardy, Mr NG Leung-sing expressed concern that this might weaken the deterrent effect of the penalty. The Chairman relayed concerns of small- and medium-sized audit firms that the proposed maximum pecuniary penalty of $10 million would pose serious threat to their viability and drive them out of the market. She opined that, when determining the level of pecuniary penalty, FRC should consider factors such as the amount of profits gained or loss avoided as a result of the irregularity and the audit fees received by the listed entity auditor.

17. DS(FS)3 said that $10 million was the proposed maxima and this proposal had already taken into account the views of different stakeholders including different sectors of the audit profession. To ensure that the pecuniary penalty would be imposed in a fair and reasonable manner, it was proposed that FRC would be required by law to issue guidelines to indicate the manner in which it exercised its power. The guidelines would include a host of factors to be considered by FRC when determining the level of pecuniary penalty to be imposed, including, for example, proportionality of the penalty to the nature and seriousness of the irregularity; amount of profits accrued or loss avoided as a result of the irregularity; the audit fees received; and other circumstances of the regulated person (e.g. size and financial resources of the firm or individual). Should the irregularity warrant prohibition of a regulated person from audit engagement, it would be appropriate for FRC to consider removal of the name from the register of listed entity auditors instead of imposing a very heavy pecuniary penalty that could drive the person out of business. In reply to Mr NG Leung-sing, DS(FS)3 further advised that any pecuniary penalty paid to or recovered by FRC would be paid by FRC into the Government general revenue, which could avoid the concern that the regulator's disciplinary decisions could be influenced by its desire to improve its financial position.

18. As the consultation proposal sought to empower FRC to enter into a resolution with the person subject to disciplinary action when it was contemplating exercising its disciplinary power, Mr NG Leung-sing enquired whether FRC would issue guidelines to enhance transparency of the process and decisions made. DS(FS)3 said that the proposed arrangement was intended to provide an alternative route to conclude a disciplinary matter in a less costly manner, and there would be a safeguard that FRC could enter into

resolution only if it was in the interest of the investing public or in the public interest.

Governance of FRC

19. Mr Ronny TONG noted that under the current proposal, the future FRC would consist of at least seven members to be appointed by the Chief Executive vis-à-vis three members nominated by the Securities and Futures Commission ("SFC"), Hong Kong Exchanges and Clearing Limited ("HKEx") and HKICPA respectively for appointment by the Chief Executive under the present system. Mr TONG enquired how the Administration would enhance transparency of the mechanism to avoid appointment with political favour.

20. DS(FS)3 said that the proposal maintained the current structure that FRC would comprise a chairman and a majority of members independent of the audit profession, and entailed no material change to the appointment mechanism except that the arrangement for nomination by SFC, HKEx and HKICPA which were existing funding parties would no longer be applicable after the reform since the funding model would be changed. In this connection, DS(FS)3 advised that the potential pool of candidates for appointment to FRC would in future be expanded by changing the restriction from "lay members" to "non-practitioners", such that a person who was not, and had not during the previous three years been, a CPA (practising) or a partner, director, agent or employee of a practice unit would be eligible for such appointment. He said that this proposal would enable FRC to take on more financial and accounting expertise and enhance its professional image as an independent auditor oversight body.

IV Consultation conclusions on corporate insolvency law improvement exercise and proposals on the introduction of a statutory corporate rescue procedure

(LC Paper No. CB(1)1536/13-14(01) — Administration's paper on "Consultation Conclusions on Corporate Insolvency Law Improvement Exercise and Detailed proposals on a new Statutory Corporate Rescue Procedure" with a copy of the consultation document on the proposals

LC Paper No. CB(1)1668/13-14(02) — Updated background brief on review of corporate insolvency law and introduction of a statutory corporate rescue procedure prepared by the Legislative Council Secretariat)

Briefing by the Administration

21. On the corporate insolvency law improvement exercise, DS(FS)3 briefed members on the outcome of the public consultation conducted in 2013. The 46 legislative proposals to improve the corporate insolvency and winding-up regime were supported by the majority of respondents. As explained in the paper submitted to the Panel, the Administration would refine some of the proposals taking into account respondents' comments and prepare the amendment bill with a view to introducing it into LegCo in 2015.

22. With the aid of a powerpoint presentation, DS(FS)3 briefed members on the detailed proposals to introduce a new statutory corporate rescue procedure ("CRP") and insolvent trading provisions in Hong Kong. He said that the Administration's target was to get ready a complete draft amendment bill before end of the 2012-2016 legislative term.

> (*Post-meeting note*: The notes of the powerpoint presentation (LC Paper No. CB(1)1762/13-14(02)) were issued to members vide Lotus Notes e-mail on 7 July 2014.)

Discussion

Improvement of corporate insolvency law

Preferential payments to employees in a winding-up

23. Mr WONG Kwok-hing suggested that the current caps as set out in section 265 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance ("C(WUMP)O") (Cap. 32) for preferential payment made to employees in a winding-up (i.e. $8,000 for outstanding wages and salary, $2,000 for wages in lieu of notice, and $8,000 for severance payment) should be adjusted upward to bring them in line with the levels of the relevant maximum amount of payment from the Protection of Wages on Insolvency

Fund ("PWIF"). Mr WONG further said that the Right and Benefits Committee of the Hong Kong Federation of Trade Unions ("FTU") had suggested repealing the existing section 228A of C(WUMP)O procedure for initiating voluntary winding-up of a company.

24. DS(FS)3 pointed out that the current caps under section 265 of C(WUMP)O on preferential payments to employees only represented the maximum amounts which PWIF was entitled to claim in a winding-up through subrogation to the rights of the employees. He clarified that the purpose of the subrogation was to replenish PWIF, and the caps under section 265 of C(WUMP)O would not affect the interests of individual employees concerned because it had no effect on the amount of payments paid by PWIF to them. The Administration considered it inappropriate at this stage to introduce changes to the aforesaid caps without considering the views of other relevant stakeholders (e.g. creditors). The Administration would sound out this issue to the relevant stakeholders before taking a view on whether any change to the current caps under section 265 of C(WUMP)O should be incorporated into the amendment bill for improving the corporate insolvency law regime. DS(FS)3 supplemented that the Administration had explained its position on the question of section 228A of C(WUMP)O in the paper submitted to the Panel.

Statutory corporate rescue procedure

Initiation of CRP

25. Mr Kenneth LEUNG noted that a company seeking to commence the CRP process would need to obtain prior written consent from its major secured creditor ("MSC"), and sought details on the definition of MSC. Mr SIN Chung- kai enquired about the arrangements in case the company did not have a MSC, for instance four secured creditors might each hold a charge of about 25% of the whole of the company's property; and whether a CRP could still be initiated with the consent of the four secured creditors under the circumstances. Mr Ronny TONG pointed out that in some jurisdictions such as the United States ("US"), initiation of the CRP process required the making of an application to the court or the consent from employees in addition to seeking MSC's agreement.

26. The Assistant Official Receiver (Legal Services)2 ("AOR(LS)2") advised that MSC referred to the holder of a charge (whether fixed or otherwise) over the whole or substantially the whole of the company's property. DS(FS)3 and AOR(LS)2 explained that under the current proposal, having regard to prevailing international practices that the MSC of a company

was allowed to play a significant role in the process for initiating CRP, a company seeking to commence CRP should be required to obtain the prior written consent of the company's MSC. If the MSC did not agree, CRP could not commence. On the other hand, requiring the prior consent of all of the company's employees to commence CRP would not accord with the policy objective which was to enable a company in financial difficulties to commence CRP within a reasonably short timeframe. The Administration would consider further, in consultation with relevant stakeholders, the triggering conditions for companies which did not have a MSC, for example whether the company should be required to obtain the prior consent of all secured creditors or whether it would suffice for the company to initiate the CRP by resolution of a company's members/directors without the need to obtain prior consent from any third party.

Qualifications of professional supervisor

27. Noting that CPAs and solicitors with practising certificates would be qualified to be appointed as provisional supervisor ("PS"), Mr Kenneth LEUNG enquired whether there would be other professional qualifications for the appointment. As FRC would be entrusted with the disciplinary power against listed entity auditors under the proposed regulatory reform for listed entity auditors, Mr LEUNG opined that the current proposal to refer complaints against the conduct of PS (if they were CPAs) in relation to CRP to HKICPA for disciplinary action would not be in line with the reform direction of improving the regulatory regime of auditors.

28. DS(FS)3 said that the relevant proposal for auditor regulatory reform was based on the need to align with the international standard that auditor regulatory regime should be independent of the audit profession. He pointed out that the appointment of PSs and disciplinary actions against them in the context of CRP were different matters and there was not any specific international standard that required the same disciplinary arrangement as for listed entity auditors.

Protection of interests of employees and other secured creditors

29. Mr WONG Kwok-hing said that Members belonging to FTU were concerned that the current proposals on the new statutory CRP might not provide sufficient protection of employees' interests, and there were reservations that the treatment of employees' outstanding entitlements under the proposed CRP would indeed be no worse off than those under PWIF in a winding-up. While a phased payment schedule for outstanding employees'

entitlements would be introduced at the commencement of CRP of a company, Mr WONG enquired about the arrangements, including priority of payments to employees, after commencement of the CRP.

30. Mr LEE Cheuk-yan emphasized the need to improve the arrangements for payment of employees' outstanding entitlements under CRP. He noted that under the current proposal, a company under provisional supervision should pay employees arrears of wages up to the cap of PWIF at $36,000 by the 30th calendar day after commencement of the provisional supervision. He considered that the amount might not be sufficient to retain employees (in particular senior staff of relatively higher salary) which would be essential for maintaining operation of the company during the provisional supervision period. Besides, it would be undesirable that other pre-commencement entitlements, including outstanding employers' contribution under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) or the Occupational Retirement Schemes Ordinance (Cap. 426), would only be paid in full within 12 months after the voluntary arrangement ("VA") under CRP had taken effect. He urged the Administration to consider mandating settlement of all outstanding employees' entitlements in the first phase after commencement of provisional supervision.

31. DS(FS)3 said that the treatment of employees' outstanding entitlements had been a major contention during previous discussions on the statutory CRP in the past decade, including the suggestion in previous legislative attempts of setting up a trust account by the company seeking to commence CRP for the purpose. It would be a tall order for a company in financial difficulty to settle all arrears due and owed to its employees before commencing CRP or shortly afterwards, therefore the focus of discussion in recent years had been to put in place a mechanism to ensure that employees would be no worse off than in the situation when the company went into immediate insolvent winding-up. This issue had been considered thoroughly and carefully in the last public consultation exercise in 2009-2010 when a broad consensus had been reached on the phased-payment approach. In fact, the proposed phased payment schedule for outstanding employees' entitlements would afford employees more protection than the PWIF because the employees concerned would be entitled to a third payment for those outstanding entitlements which the PWIF would not cover. This third payment included for example outstanding employers' MPF contributions to be paid in full within 12 months after the VA had come into effect. DS(FS)3 stressed that notwithstanding the moratorium on legal actions and proceedings against the company during the period of provisional supervision, if there was default in the phased payment for pre-CRP outstanding entitlements or wages

arising after the commencement of provisional supervision, the affected employees would not be bound by the moratorium and they could take such action, including filing winding-up petition to the court against the company, as they considered appropriate to protect their interests.

32. As regards Mr Ronny TONG's enquiry about protection of interests of new creditors when a company was undergoing CRP, AOR(LS)2 advised that a PS would be subject to personal liability in respect of pre-appointment contracts adopted by him or new contracts entered into by him as the PS. This should accord protection to the creditors arising from the new contracts.

Legislative timetable

33. Mr Kenneth LEUNG pointed out that the United Kingdom ("UK") had introduced the statutory CRP since the 1990s. He considered that Hong Kong as an international financial centre should put in place similar statutory procedure as an option for companies in short-term financial difficulties in lieu of winding-up. In view of complexities of the proposals in question and other important legislative exercises, Mr LEUNG enquired about the legislative time table for taking forward the statutory CRP.

34. Mr Ronny TONG expressed concern about the timing for the Administration to consult the Panel on the legislative proposals relating to the statutory CRP at this stage. As the Administration's target was to introduce the relevant amendment bill into LegCo in the next legislative term, he was concerned that LegCo Members of the next term might have different views and concerns on the subject. Mr SIN Chung-kai queried the need for the Administration to take two years (i.e. remainder of the 2012-2016 legislative term) to complete the drafting of the amendment bill.

35. DS(FS)3 said that there were calls from the business and professional sectors to put in place a statutory CRP as early as possible. While the conceptual framework put forth in the public consultation exercise in 2009-2010 provided the basis for developing the current proposals, given the complexities of issues involved and other urgent legislative initiatives, it was estimated that the Administration would need more time to work out the detailed legislative provisions for further engagement with the relevant stakeholders and to prepare the amendment bill. He quoted the definition of MSC and the proposed arrangement in case the company seeking to initiate CRP did not have a MSC as examples where more detailed work would need to be done.

36. The Chairman enquired whether the Administration had studied CRPs adopted by other jurisdictions and assessed their usefulness in rescuing financially troubled companies. AOR(LS)2 said that the data on overseas experience of CRP (e.g. statistics on financially-troubled companies adopting CRP and ultimately managing to turn around) were not readily available at the meeting. DS(FS)3 said that while not all companies might make use of CRP, especially where the companies were in seriously insolvent situations, it would be appropriate for Hong Kong to put in place a new regime for the purpose and then review its effectiveness in light of operating experience after implementation of the regime. He added that the business sector including banks and insolvency practitioners generally supported providing a statutory CRP in Hong Kong. The Chairman suggested that the Administration should study overseas experiences to better understand the essential factors contributing to a successful CRP and make reference to such experiences in devising the CRP for Hong Kong.

V Proposed amendment to the Banking (Capital) Rules and Banking (Disclosure) Rules, and making of a set of Banking (Liquidity) Rules for implementation of Basel III standards in Hong Kong

(LC Paper No. CB(1)1668/13-14(03)	—	Administration's paper on "Proposed Amendments to the Banking (Capital) Rules and Banking (Disclosure) Rules, and Enactment of the Banking (Liquidity) Rules, for Implementation of Basel III Standards in Hong Kong "
LC Paper No. CB(1)1668/13-14(04)	—	Background brief on the implementation of Basel III in Hong Kong prepared by the Legislative Council Secretariat)

Briefing by the Administration

37. At the invitation of the Chairman, the Deputy Secretary for Financial Services and the Treasury (Financial Services)1 ("DS(FS)1") and the

Executive Director (Banking Policy), Hong Kong Monetary Authority ("ED(BP)/HKMA") briefed members, through a powerpoint presentation, on the latest progress in implementing the first phase of Basel III capital standards in Hong Kong and the Administration's plan to introduce subsidiary legislation for implementing the second phase of Basel III requirements from 1 January 2015.

> (*Post-meeting note*: The notes of the powerpoint presentation (LC Paper No. CB(1)1762/13-14(03)) were issued to members vide Lotus Notes e-mail on 7 July 2014.)

Discussion

Implementation of the latest Basel III requirements

38. In response to Mr Kenneth LEUNG's enquiry, ED(BP)/HKMA confirmed that the Common Equity Tier 1 ("CET1") capital ratio consisted of equity (including share premium) and retained earnings only and did not include any debt instruments of banks.

39. While expressing support for implementing Basel III requirements in Hong Kong, Mr SIN Chung-kai enquired about the progress of implementation in Hong Kong vis-à-vis that of Group of Twenty ("G20") members. As some G20 members had encountered delay in implementing the first phase Basel III requirements, Mr SIN was concerned whether the competitiveness of Hong Kong's banking sector would be affected if Hong Kong progressed faster than other jurisdictions.

40. DS(FS)1 responded that in implementing Basel III requirements, Hong Kong would adhere to the timetable as promulgated by the Basel Committee on Banking Supervision ("BCBS"). ED(BP)/HKMA supplemented that although the US and the European Union had experienced some delay in implementing the first phase of Basel III requirements, they were required by BCBS to catch up with the implementation timetable (in the sense of adopting the phase-in levels for capital prevailing on the date they began implementation rather than adopting the initial 2013 levels). Regarding implementation of the second phase of Basel III requirements, ED(BP)/HKMA pointed out as at present, most jurisdictions were expected to adhere to BCBS' timetable concerned. At Mr SIN Chung-kai's request, the Administration undertook to provide information to compare Hong Kong and G20 members in respect of their progress in implementing the first phase of Basel III requirements, and their timetables for implementing requirements

in the second phase, before or when the Administration introduced the relevant subsidiary legislation into LegCo.

41. Mr NG Leung-sing concurred with Mr SIN Chung-kai's views that Hong Kong should stay on par with other jurisdictions in implementing Basel III requirements to avoid exerting pressure on the operating costs of the Hong Kong banking sector. Referring to paragraph 15 of LC Paper No. CB(1)1668/13-14(03), which stated that "it is the Monetary Authority's assessment that the buffer proposals are not expected to have a significant impact on authorized institutions' ("AIs") capital positions" and "the proposals are not expected to have a significant impact on AIs' dividend policies in general", Mr NG enquired whether the Administration/HKMA had assessed the impacts of implementation of Basel III requirements on local AIs, in particular small- and medium-sized AIs, and whether HKMA would consult the banking industry on the need to change AIs' dividend policies in meeting the latest Basel III requirements.

42. DS(FS)1 responded that the Administration was aware of the concerns expressed by the banking sector about implementation of Basel III requirements in Hong Kong. She re-iterated that Hong Kong would follow the BCBS timetable in taking forward the Basel III standards. Regarding the impacts on local AIs, DS(FS)1 pointed out that a number of the second phase of Basel III requirements, such as the Liquidity Coverage Ratio requirements and the higher loss absorbency requirement would only apply to larger AIs. Moreover, a sufficiently long transitional period would be provided as most of the requirements would be implemented in stages between 2015 and 2019. Given that the average capital adequacy ratio of AIs in Hong Kong stood over 15% and their strong liquidity position, the Administration did not envisage that AIs would encounter significant difficulties in implementing the second phase of Basel III requirements. A recent report issued by the International Monetary Fund had also confirmed the stability of Hong Kong's banking sector. ED(BP)/HKMA supplemented that HKMA had conducted quantitative impact studies on the implementation of the second phase of Basel III requirements. As at end March 2014, locally incorporated AIs' average CET1 capital ratio and total capital ratio stood at 13.1% and 15.9% respectively. Hence, it was envisaged that the latest Basel III requirements would unlikely bring significant problems to local AIs. Regarding AIs' dividend policies, ED(BP)/HKMA advised that banks would be subject to restrictions on their ability to make discretionary distributions only when their capital levels were within the "buffer zone". Given the high capital levels enjoyed by local banks, such situation was not anticipated to be a particularly common occurrence.

Tax treatment for limited recourse long-term debt

43. Mr Kenneth LEUNG relayed enquiries from banks over the tax treatment of limited recourse long-term debt ("LRLD") issued by banks, including the categorization of LRLD and whether the interest payable on LRLD was deductible for tax purposes. He further urged the Inland Revenue Department ("IRD") to make reference to the practice of the tax authority of Australia in issuing a set of "frequently asked questions and answers" to clarify the tax treatment for LRLD.

44. DS(FS)1 said that she would relay Mr Kenneth LEUNG's views to IRD. She pointed out that the Financial Secretary had announced in the 2014-15 Budget the establishment of a task force to review the requirements under the Inland Revenue Ordinance (Cap. 112) for interest deductions in the taxation of corporate treasury activities and clarify the criteria for such deductions. The task force had been set up and would submit its proposals by end 2014. ED(BP)/HKMA supplemented that HKMA was aware of clarifications issued by the tax authorities of Singapore and UK with respect to debt securities issued by banks for inclusion in their regulatory capital.

45. The Chairman concluded that Panel members did not oppose the Administration's plan to introduce the subsidiary legislation for implementing the second phase of Basel III requirements and remarked that the Administration should address members' concerns when the relevant subsidiary legislation was tabled before LegCo.

(The Chairman directed a five-minute break at 10:20 am and the meeting was resumed at 10:25 am.)

VI Briefing on legislative proposal to implement the stamp duty waiver in respect of exchange traded funds

(LC Paper No. CB(1)1668/13-14(05) — Administration's paper on "Legislative proposal to implement the stamp duty waiver in respect of exchange traded funds")

Briefing by the Administration

46. At the invitation of the Chairman, DS(FS)1 briefed members on the legislative proposal to amend the Stamp Duty Ordinance ("SDO") (Cap. 117) to implement the stamp duty waiver for the transfer of shares or units of all exchange traded funds ("ETFs"). DS(FS)1 said that the Administration was preparing the amendment bill and aimed to introduce it into LegCo in the first half of the 2014-2015 legislative session.

Discussion

Rationale for introducing the stamp duty waiver and implementation issues

47. Pointing out that stamp duty was one of the major sources of Government revenue, Mr Kenneth LEUNG expressed concern that benefits of the proposed waiver in promoting market development might be out-weighed by the potential loss in stamp duty income. He was also concerned about potential abuse of the proposed waiver by listed companies through re-packaging their shares as ETFs to avoid stamp duty payments.

48. DS(FS)1 pointed out that the extension of stamp duty remissions to certain types of ETFs in 2010 had resulted in an annual revenue forgone of about $600-$800 million and it was estimated that the proposed stamp duty waiver would bring about an additional annual revenue forgone of some $100 million. Notwithstanding the reduction in Government revenue, the proposed waiver would enhance Hong Kong's competitiveness as an international financial centre and promote development of the ETF market as most international financial markets no longer imposed stamp duty on the transactions of ETF shares and units. Moreover, there had been concern that for ETFs that did not enjoy the current stamp duty waiver and tracked indices comprising Hong Kong stocks, the ETFs concerned had to pay stamp duty in buying and selling of Hong Kong stocks when tracking their underlying indices, in addition to the stamp duty payable on the transfers of the ETF shares or units. As regards concern about possible abuse of the proposed waiver, DS(FS)1 advised that ETFs were classified as collective investment schemes and were subject to authorization by SFC in accordance with relevant requirements like management by professional funds. The Administration would take into account any possible abuses of the proposed stamp duty waiver when preparing the amendment bill.

49. Mr CHAN Kam-lam expressed support for the proposed stamp duty waiver as Hong Kong's major competitors did not impose stamp duty on the transactions of ETF shares and units, and the amount of revenue forgone was not expected to be substantial. Mr CHAN enquired whether the proposed Shanghai-Hong Kong Stock Connect ("S-HK SC") would cover ETFs; and if so, whether similar taxation treatment would be provided by the Shanghai Stock Exchange. He also sought the Administration's assessment on whether the waiver would lead to a surge in the listing of ETFs comprising Hong Kong stocks.

50. DS(FS)1 advised that the first phase of S-HK SC would cover stocks only. Nevertheless, a number of ETFs utilizing the Renminbi Qualified Foreign Institutional Investor Scheme to buy Mainland stocks had been listed in Hong Kong, and as such, these ETFs had already been exempted from stamp duty. DS(FS)1 re-iterated that the Administration envisaged that the proposed waiver would promote development of Hong Kong ETF market and benefit the local financial services industry. It should be noted that since extension of the stamp duty remission to ETFs which tracked indices comprising no more than 40% in Hong Kong stocks in 2010, a total of 92 new ETFs had been listed in Hong Kong.

Development of Hong Kong ETF market and asset management industry

51. Mr SIN Chung-kai was concerned whether the stamp duty imposed on ETFs was an impediment to the development of Hong Kong ETF market. He considered that the Administration should study the major factors ETF issuers would take into account in deciding the domicile or listing of an ETF in a particular market, which might include a jurisdiction's legal or taxation regimes and tax incentives offered, etc. He opined that such information would be useful in understanding Hong Kong's competitiveness vis-à-vis other jurisdictions in attracting ETF issuers.

52. DS(FS)1 pointed out that the industry had raised concern about the stamp duty payments on ETFs affecting the incentives of ETF issuers in listing ETFs in Hong Kong. She re-iterated that the proposed stamp duty waiver could also level the playing field for all ETFs listed in Hong Kong. Based on the experience of stamp duty remission for ETFs introduced in 2010, the proposed waiver could benefit the market by encouraging more issuers to list ETFs in Hong Kong and enhancing the daily market turnover of ETFs. She undertook to provide information in response to Mr SIN's enquiries above when the Administration introduced the relevant amendment bill into LegCo.

53. The Chairman welcomed the proposed stamp duty waiver as it would be conducive to Hong Kong's development as an international financial centre. She said that she had also received views from the industry expressing support for the proposal. She enquired about measures taken by the Administration to promote development of Hong Kong's asset management industry.

54. DS(FS)1 responded that apart from the proposed stamp duty waiver for ETFs, the Administration had implemented a number of measures to promote the local asset management industry, including facilitating the establishment of different funds in Hong Kong (such as the proposal to introduce an open-ended fund companies ("OFCs") structure of which the public consultation ended in June 2014), exploring feasible tax incentives to attract fund business, promotion of talents and mutual recognition of funds between Hong Kong and the Mainland, etc. At the Chairman's request, the Administration undertook to provide more information on the Government's strategies and major measures to promote the development of asset management business in Hong Kong when the Administration introduced the relevant amendment bill into LegCo.

55. Mr Kenneth LEUNG enquired about the Administration's timetable for introducing the bill on the new OFCs structure into LegCo, and the average time required by SFC for processing applications for authorization of ETFs.

56. DS(FS)1 responded that the public consultation on OFCs ended at end of June 2014 and the Administration was analyzing the views received. While it would take time to prepare the legislative proposal, it was the Administration's target to introduce the relevant amendment bill into LegCo in 2015. Regarding authorization of ETFs by SFC, the Senior Director (Investment Products), SFC advised that the same authorization procedures applied to ETFs and other types of funds. The processing of ETF applications was a dynamic process and the overall processing time might be affected by a number of factors outside SFC's control, such as the level of compliance, the quality of the submission and the response time of the applicant. In the past three years ending December 2013, SFC authorized a total of 59 ETFs and SFC's processing time on average constituted about 1/3 of the total time lapsed. SFC had taken initiative to enhance the product authorization process as appropriate. Since January 2014, the maximum total processing time for an application had been shortened from 12 months to six months. At Mr Kenneth LEUNG's request, SFC was required to provide information on the average time taken by SFC for processing the 59 applications for ETF authorization in the past three years.

VII Consultation on Mandatory Provident Fund default/core fund proposal

(LC Paper No. CB(1)1668/13-14(06)	—	Administration's paper on "Providing Better Investment Solutions for MPF Members" with a copy of the relevant consultation document
LC Paper No. CB(1)1668/13-14(07)	—	Background brief on Mandatory Provident Fund core fund proposal prepared by the Legislative Council Secretariat
LC Paper No. IN17/13-14	—	Information note on default pension arrangements in the United Kingdom and Australia prepared by the Legislative Council Secretariat)

Briefing by the Administration

57. At the invitation of the Chairman, the Deputy Secretary for Financial Services and the Treasury (Financial Services)2 ("DS(FS)2") said that the current proposal to introduce the Core Fund with fee control in all Mandatory Provident Fund ("MPF") schemes was part of the measures to address concerns about the high MPF fee level and the difficulty for scheme members in making fund choices. The Administration and the Mandatory Provident Fund Schemes Authority ("MPFA") aimed to introduce the Core Fund in 2016.

58. With the aid of a powerpoint presentation, the Executive Director, MPFA ("ED/MPFA"), briefed members on the background, main features and roles of the Core Fund.

> (*Post-meeting note*: The notes of the powerpoint presentation (LC Paper No. CB(1)1762/13-14(04)) were issued to members vide Lotus Notes e-mail on 7 July 2014.)

Discussion

Fee level of the Core Fund

59. Mr WONG Ting-kwong said that he was the Chairman of the MPF Schemes Advisory Committee. He pointed out that the average fund expense ratio ("FER") for all MPF constituent funds ("CFs") was about 1.65% of assets under management ("AUM") per annum, equivalent to as much as $8.7 billion out of the some $530 billion MPF assets at present. Regarding the proposal to cap the fees for the proposed Core Fund at 0.75% of AUM, Mr WONG enquired whether the fee level could be lowered further. Mr Kenneth LEUNG shared the same concern. Mr TANG Ka-piu considered that introducing a Core Fund and capping its fees could not address the problem of continued increase in MPF fees payable to trustees and fund managers with growth in the size of MPF assets.

60. Mr CHAN Kam-lam opined that the Core Fund might not offer a genuine additional choice for scheme members as at best it only served as the investment destination for scheme members who had not made (or could not make) any choice of CF. He considered that the fee level of the Core Fund was still high compared to those of other pension systems, and appeared to preserve the stakes of MPF trustees and fund managers rather than the interests of scheme members.

61. Referring to the range of FERs by fund types in Table 1 of the consultation paper on "Providing Better Investment Solutions for MPF Members" ("the Consultation Paper") (i.e. Annex to LC Paper No. CB(1)1668/13-14(06)), Mr CHAN Kin-por pointed out that the lowest FER of equity fund, mixed assets fund and bond fund were 0.56%, 0.41% and 0.6% respectively, which reflected that funds with very low fees were already available in the market. He considered that the Administration should study why scheme members did not choose these low-fee funds, before introducing fee cap for the Core Fund. The Administration should also educate the public to remove their misunderstandings about the MPF system. For instance, the fees of the pension systems of some overseas jurisdictions (e.g. UK, the US and Australia) were much lower only because they had been operating for many years and thus enjoyed greater economy of scale due to substantial size of assets in the funds. Hence, it would be inappropriate to make a direct comparison between the MPF system and more mature pension schemes. It should also be noted that the fees charged by trustees and fund companies included administrative costs and did not mean the net profits. Moreover,

some service providers gave scheme members rebates. The public should also appreciate that the average annual return of 4.4% from MPF investment at present after fee deduction was not unsatisfactory.

62. DS(FS)2 pointed out that, as the fees of less than 20 existing approved CFs (out of the existing 477 approved CFs) were lower than 0.75% of AUM, setting the fee cap at this level with the expectation that the FER for the Core Fund to be under 1% in the medium term was already an aggressive proposal. It was envisaged that the fee level would be reduced further over the longer term. DS(FS)2 stressed that in determining the Core Fund arrangements, the priority of the Administration and MPFA would be to protect the interests of scheme members. ED/MPFA added that the FERs of only a few CFs were at the lowest end of the spectrum. Of the 12 CFs with fees at 0.75% of AUM or lower, three of them were conservative funds and nine were non-conservative funds.

Investment of the Core Fund

63. Mr Kenneth LEUNG expressed concern about complicated operation of the proposed life cycle/target date approach which aimed to reduce exposure to risky asset classes and increase exposure to less risky asset classes in the period before a member reached the age of 65. ED/MPFA said that there was established methodology in the industry to operate pension funds that automatically reduced risks over time in accordance with scheme members' age. This approach also had fewer drawbacks compared to other investment approaches in terms of cost and operation.

64. Mr CHAN Kam-lam considered that the Government should provide MPF scheme members (in particular those approaching retirement age) with the choice to put their accrued benefits on fixed bank deposits as this would minimize investment risks and save administrative/management fees. He said that the suggestion was raised by Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong as early as in 1995. ED/MPFA responded that the Core Fund should not adopt the most conservative investment approach and the optimal approach should have regard to the need to balance long-term risks and returns in a manner appropriate for retirement savings, and operational efficiency compared to other options.

65. As regards Mr WONG Kwok-hing's suggestion that the Government should issue inflation-linked retail bonds ("iBonds") for investment by MPF scheme members, DS(FS)2 said that the primary objective of iBond was to

promote the development of the local bond market whereas the Core Fund was proposed to adopt a de-risking investment approach involving different investment assets. He said that there could be different arrangements with regard to the investment strategy and portfolio of the Core Fund. The Administration and MPFA would consider views and suggestions by respondents in the public consultation.

66. Referring to the investment return of Fiscal Reserves placed with the Exchange Fund ("EF") at about 5% to 6% on a five-year average, Mr LEE Cheuk-yan suggested introducing MPF products which were linked to the performance of EF. Mr CHAN Kin-por remarked that the average return from EF's investment after netting administrative and management fees might not be higher than the current average annual investment return of 4.4% from MPF investment.

67. DS(FS)2 said that as the primary objective of EF was to provide full backing to the Monetary Base and stabilize the Hong Kong Dollar, its investment portfolio was unique with heavy investment in bonds. It would be inappropriate to draw a direct comparison between EF and the Core Fund having regard to their different investment objectives and strategies. DS(FS)2 pointed out that an investment strategy with most or only exposure to bonds might not be suitable for achieving retirement savings, nor would EF-linked investment products necessarily guarantee good returns. Nevertheless, trustees could offer MPF funds that mirrored EF's investment strategies. As observed, there were MPF products in the market with investment exposure mainly to bonds. ED/MPFA added that based on research being conducted for MPFA, an all-bond investment portfolio for the Core Fund would be sub-optimal as it would reduce the probability of high returns and reduce average outcomes.

Operator of Core Fund

68. Mr Kenneth LEUNG considered that it might not be necessary for each of the existing 19 trustees to operate a Core Fund for selection by their scheme members as different MPF schemes might share the same Core Fund. DS(FS)2 said that an MPF scheme might have one or more CFs as investment choices and CFs usually gained exposure to underlying investment markets by, in turn, investing into approved pooled investment funds ("APIFs"). He concurred with Mr LEUNG's views that several MPF schemes could share a single Core Fund or the same APIFs to achieve economy of scale.

69. Mr WONG Kwok-hing, Mr TANG Ka-piu, Mr LEE Cheuk-yan and Ms CHAN Yuen-han urged the Government to consider setting up a public trustee or entrusting a public/non-profit-making organization to operate the Core Fund with a view to enhancing market competition, enabling substantial reduction in MPF fees over the longer term, strengthening protection of scheme members' interests, as well as avoiding transfer of interests to trustees. Mr Kenneth LEUNG suggested that the Government might consider entrusting a statutory body to operate the Core Fund. The Chairman remarked that if the Government operated the Core Fund and absorbed the administrative costs, it would better preserve the accrued benefits of MPF scheme members.

70. Referring to the remarks made by the Secretary for Financial Services and the Treasury during a recent media interview, Mr TANG Ka-piu queried whether the Administration had already come to a view that each MPF scheme should include a Core Fund to be operated by the respective scheme trustee. He asked whether the Administration would explore the alternative to invite MPF trustees to operate a central Core Fund through tender so as to drive down MPF fees through market competition. He expressed grave concern that the proposal to introduce a Core Fund in each MPF scheme could be tantamount to transferring interests to the trustees.

71. Mr CHAN Kin-por however opined that, even if the Core Fund was operated by the Government or a public trustee, administrative fees would still be incurred, and the fee level might not be necessarily lower than those charged by private trustees. He also drew members' attention that the Administration had been implementing a number of measures in a holistic manner to lower MPF fees in recent years, including automating and streamlining the MPF scheme administration processes.

72. DS(FS)2 advised that the MPF system was a mandatory, privately-managed and employment-based pension system. The system was the second pillar of the multi-pillar retirement protection model as recommended by the World Bank, and was complementary to other sources, such as government social security programmes and individual savings. He stressed that the principle of setting up the MPF system as a privately-managed pension scheme was established after thorough discussion in the community in the 1990s well before inception of the system. Based on this premise and other considerations (such as capital and recurrent costs and manpower resources for system set-up and operation, investment concentration risks, etc), the Administration was of the view that the Core Fund should be operated by the market, and the Administration did not intend

to operate the Core Fund. DS(FS)2 re-iterated that the Core Fund proposal aimed to address concerns about high MFP fees and difficulty for scheme members in making investment choices. It was not to benefit service providers. He clarified that the Administration/MPFA had not included any proposal in the Consultation Paper as a preferred option for operation of the Core Fund.

73. Ms CHAN Yuen-han criticized that the Administration had ignored calls from the community to introduce a public trustee and enhance collaboration between the public and private sectors in operating the MPF system which had been proven successful in some overseas pension systems. In her views, the long-term benefits of the proposal for the Government or a public trustee to operate the Core Fund would well compensate the start-up and administrative costs involved.

74. The Chairman opined that the Administration had to provide stronger justifications and more information in order to convince members and the public that a privately-managed Core Fund would be a better option than a publicly-run Core Fund. It was the public aspiration that a publicly-operated Core Fund would be better able to reduce MPF fees and bring about more satisfactory or stable investment return similar to that of EF.

75. DS(FS)2 stressed that the Core Fund proposal was not a panacea to all issues related to the MPF system. As the system was still relatively young, there would be room for improvement in various aspects and this would require time. He added that apart from the Core Fund proposal, the Administration/MPFA had been taking other measures to enhance the MPF system. For instance, the Mandatory Provident Fund Schemes (Amendment) Bill 2014, which was introduced into LegCo in June 2014, aimed to, among other things, enhance the powers of MPFA for approval of new MPF schemes/funds as well as facilitate trustees' compliance with statutory obligations to provide greater scope for MPF fee reduction.

Timeframe for introducing the Core Fund

76. In response to Mr WONG Ting-kwong's enquiry about the timing of introducing the Core Fund, DS(FS)2 said that MPFA would put forward implementation proposals to the Government after considering the views received during the public consultation. The Administration would endeavour to complete the necessary legislative process and resolve operational issues in a timely manner. The current target was to have the new Core Fund arrangement in place within 2016. Mr WONG urged the

Administration to complete drafting the legislative proposals as early as possible, with a view to introducing the Core Fund no later than the second quarter of 2016. The Administration took note of the view.

VIII Any other business

77. There being no other business, the meeting ended at 1:00 pm.

Council Business Division 1
Legislative Council Secretariat
15 September 2014